

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Pension Trust	(2) MEETING DATE 11/22/2016	(3) CONTACT/PHONE Carl Nelson, Executive Secretary (805) 788-2313	
(4) SUBJECT Submittal of a resolution approving 1) increases in employee-paid pension contribution rates and employer appropriation rates for San Luis Obispo County Employees Retirement Plan's contracting agency employers per applicable instructions of officers of said agencies, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the San Luis Obispo County Superior Courts, the San Luis Obispo County Air Pollution Control District and the San Luis Obispo County Local Agency Formation Commission. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board adopt a resolution approving 1) increases in employee-paid pension contribution rates and employer appropriation rates for the San Luis Obispo County Employees Retirement Plan's contracting agency employers per applicable instructions of officer of said agencies, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the San Luis Obispo County Superior Courts, the San Luis Obispo County Air Pollution Control District and the San Luis Obispo County Local Agency Formation Commission.			
(6) FUNDING SOURCE(S) Contracting Agencies	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Guy Savage			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Carl Nelson, Executive Secretary, Pension Trust
(805) 788-2313

DATE: 11/22/2016

SUBJECT: Submittal of a resolution approving 1) increases in employee-paid pension contribution rates and employer appropriation rates for San Luis Obispo County Employees Retirement Plan's contracting agency employers per applicable instructions of officers of said agencies, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the San Luis Obispo County Superior Courts, the San Luis Obispo County Air Pollution Control District and the San Luis Obispo County Local Agency Formation Commission. All Districts.

RECOMMENDATION

It is recommended that the Board adopt a resolution approving 1) increases in employee-paid pension contribution rates and employer appropriation rates for the San Luis Obispo County Employees Retirement Plan's contracting agency employers per applicable instructions of officer of said agencies, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the San Luis Obispo County Superior Courts, the San Luis Obispo County Air Pollution Control District and the San Luis Obispo County Local Agency Formation Commission.

DISCUSSION

The San Luis Obispo County Pension Trust ("Trust") is an independent retirement system that provides a defined benefit pension plan to County employees and other agencies that contract with the Trust as approved by the County. Annually, an actuarial valuation is conducted by the Trust which recommends changes to contribution rates in order to appropriately fund the Trust. The Annually Required Contribution rate for the Trust is set by the Trust's Board of Trustees each year and must be approved by the Board of Supervisors to implement. Approval of these increases is required to maintain and adequately fund the pension plan.

There are a variety of factors that contribute to the changes in contribution rates. The major factors, include actual returns on investments, changes in the assumed future rate of return on investments, changes in future assumed inflation rates, changes in future assumed payroll increases, mortality assumptions and the amortization cost of the Unfunded Actuarial Liability. Often, an annual increase to the contribution rates has been necessary and has ranged between 0%-5% over the last 10 years. As an example, the 2015 Annual Actuarial Valuation (report dated January 1, 2015), indicated that a 1.02% aggregate rate increase was necessary, and the increase was effective in January 2016. The increases typically come into effect in January of the year following the actuarial valuation that is completed each June.

The Trust's 2016 actuarial valuation study (report dated January 1, 2016) calls for a 5.17% aggregate pension rate increase with an implementation date effective the pay period that includes January 1, 2017, or a 5.34% aggregate pension rate increase with an implementation date effective the pay period that included July 1, 2017. Based on these implementation dates, the total actuarial breakdown of rate increases for "Miscellaneous" Members are 4.81% if implemented January 1, 2017 or 4.98% if implemented July 1, 2017. Note that the contract agency employers covered by this resolution have no "Public Safety" or "Probation" members.

The County, the Air Pollution Control District (APCD) and the Local Agency Formation Commission (LAFCO) have opted to implement the pension rate increases effective January 1, 2017. The Superior Courts have opted to implement the pension rate increases effective July 1, 2017. Accordingly, the Superior Courts will have an actuarially equivalent pension rate increase that is higher than the County and other contracting agencies.

Below are table breakdowns of the pension rate increases for the San Luis Obispo County Employees Retirement Plan's contracting agencies as specified by officers of the contracting agencies:

Contracting Agency Employer	BU	Employees	Pension Rate Increase Effective 1/1/2017	Employee Share	Employer Share
APCD	BU98 – APCD Miscellaneous BU99 – APCD Management	24	4.81%	2.40%	2.41%
LAFCO	BU07 – LAFCO Staff	3	4.81%	2.41%	2.40%

Contracting Agency Employer	BU	Employees	Pension Rate Increase Effective 7/1/2017	Employee Share	Employer Share
Superior Court	BU25 – Court Commissioners Unit	3	4.98%	1.66%	3.32%
Superior Court	BU17 – Court Interpreters Unit BU18 – Court Technical Unit BU19 – Court Supervisory Unit BU20 – Court Miscellaneous Unit BU24 – Court Management & Attorneys Unit BU26 – Court Confidential Unit BU27 – Court Professional Unit	128	4.98%	2.49%	2.49%

Pension Plan Benefit Tiers

The sharing of any contribution rate increases between the contracting agencies and their employees is determined through negotiations between the contracting agency and recognized employee associations. The contribution rates that employees pay are based on the employee age of entry, tier, bargaining unit, and classification (Miscellaneous, Safety, or Probation) of the member. The contribution rates that the County pays also vary by bargaining unit, tier, and classification (Miscellaneous, Safety, or Probation) of the member. Currently the County and contract agency contribution is based on an actuarial recommended blended rate across the different tiers and includes a cost component to amortize and eventually fully fund the Unfunded Actuarial Liability. A full description of the plan benefits is available on the Pension Trust's website <http://www.slocounty.ca.gov/PensionTrust.htm>.

OTHER AGENCY INVOLVEMENT/IMPACT

Officers from the San Luis Obispo County Superior Court, the San Luis Obispo County Air Pollution Control District and the San Luis Obispo County Local Agency Formation Commission participated in the development of the Employees Retirement Plan Appendices. The contribution rate increases were approved by the Pension Trust Board of Trustees at their regular meeting held on June 27, 2016. County Counsel has reviewed and approved the Resolution for legal form and effect. Each contracting agency will be individually responsible for implementing the pension rate changes.

FINANCIAL CONSIDERATIONS

This amendment will have no direct financial impact on the County.

RESULTS

Approval of this resolution will help mitigate the effects of ongoing pension cost increases and make the pension costs paid by the San Luis Obispo County Employees Retirement Plan's contracting agency employers consistent with those paid by the County.

ATTACHMENTS

1. Resolution approving increases in pension rates for contracting agencies
2. Appendix A – Miscellaneous Members Contribution Rates Tier 2 (Contract Agencies only)
3. Appendix A – Miscellaneous Members Contribution Rates Tier 3-AB340 (Contract Agencies only)
4. Appendix A – Miscellaneous Members Contribution Rates Tier 4 (Contract Agencies only)